

**Commonwealth of Massachusetts  
Department of Telecommunications and Energy  
Fitchburg Gas and Electric Light Company  
Docket No. D.T.E. 02-24  
Responses to the Attorney General's First Set of Information Requests**

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**Request No. AG 1-66**

Please set forth the accounting information concerning all out-of-period book adjustments made to book entries for the calendar years 1999, 2000 and 2001.

**Response:**

The Company has not had sufficient opportunity to perform an exhaustive study of all adjustments that might be characterized as “out of period adjustments” for all of the years requested. Listed below are the results of our efforts to date to identify major “out of period adjustments”. If any additional adjustments are identified, the Company will file them as an amendment to this response as quickly as practical.

*1999 Out of Period Adjustments:*

In 1999, the Company performed a comprehensive review of accounting for property taxes. In order to more accurately account for property tax on a fiscal year basis, it was determined that property taxes should be charged to prepaid property taxes when paid, and then amortized to expense.

The adjustment is being phased in over three years (1999 – 2001).

The entry for 1999 was as follows:

Debit 165-11 Prepaid Property Taxes  
Credit 408-12 Property Tax Expense <\$182,500>

Of this, Fitchburg Gas expensed \$56,685

*2000 Out of Period Adjustments:*

- (1) As stated above in 1999, an adjustment was made as part of a three-year phase-in for Prepaid Property Tax balance. The original amount was revised at year-end to account for changes in tax billings.

The entry for 2000 was as follows:

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Debit 165-11 Prepaid Property Taxes  
Credit 408-12 Property Tax Expense <\$205,059>

Of this, Fitchburg Gas expensed \$83,422

- (2) In December 2000, adjustments were made to return to customers the Lost Base Revenues associated with the Energy Efficiency and Conservation Charges, with interest, in accordance with the Department's Order in D.T.E. 98-48/49, dated November 9, 2000. The adjustments resulted in the return of \$250,595 in lost base revenue and \$87,747 in interest. The adjustments covered the period of March 1998 through November 2000.

2001 Out of Period Adjustments:

- (1) As stated above in 1999, an adjustment was made as part of a three-year phase-in for Prepaid Property Tax balance. The original amount was revised at year-end to account for changes in tax billings.

The entry for 2001 was as follows:

Debit 165-11 Prepaid Property Taxes  
Credit 408-12 Property Tax Expense <\$215,706>

Of this, Fitchburg Gas expensed \$73,124

- (2) Adjustments were made to the Cost of Gas Adjustment Reconciliation Mechanism to correct for prior period calculations of "costs" and "returns" of approximately \$4,500. The Individual programs involved were LPLNG-Highload, LPLNG-Lowload, DAFP and PRO.
- (3) Pursuant to D.T.E. 98-32, Article III Sections 3.2 and 3.3, customers who converted to firm transportation service during the period February 2, 1999 to October 31, 2000 paid FG&E \$0.01 per therm of throughput volume transported by the customer in lieu of receiving capacity as part of the mandatory-assignment program. The revenue collected from this charge was deferred, until October 2001, when Fitchburg began a program to credit this revenue to residential customers.

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- (4) Adjustments were made to the LDAC - UCF mechanism for prior year collaborative costs that had not been accounted for, of approximately \$1,200. These costs were offset by accrued revenue. The bottom line impact of these adjustments was related to interest and was approximately \$45.
- (5) In compliance with D.T.E. 99-66-A and D.T.E. 99-66-B, the Company began returning \$675,052 of inventory finance charges plus interest, to customers. This is to continue over a period not to exceed 139 months. The refund is to be provided over the six peak-month periods of each year. For 2001, the refund began in November totaling \$57,196 for the year.
- (6) In connection with the issuance of orders in D.T.E. 99-118, 99-115, 99-114 and 99-110, the Company recorded an extraordinary loss for the Gas Division. Of this loss, \$367,712 related to out-of-period book adjustments. The extraordinary loss was recorded as a result of the Company's inability to recover certain deferred costs from prior periods.

The out-of-period book adjustment is recorded "below the line" and not included in test year costs.

None of the above adjustments have been included in the filed cost of service.

**Person Responsible:** Mark H. Collin